

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

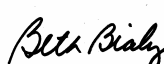
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 		Printed Name		License Number

**District Court Funds of District No. 25
City of Lincoln Park, Michigan**

**Financial Report
with Supplemental Information
June 30, 2007**

District Court Funds of District No. 25

City of Lincoln Park, Michigan

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Independent Auditor's Report

To the Honorable Judges
of the 25th District Court
Lincoln Park, Michigan

We have audited the accompanying financial statements of the governmental activities, the Operating Fund, and the Agency Fund of the 25th District Court of the City of Lincoln Park, Michigan as of and for the year ended June 30, 2007, which collectively comprise the District Court's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the Operating Fund, and the Agency Fund of the 25th District Court of the City of Lincoln Park, Michigan as of June 30, 2007 and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

November 19, 2007



District Court Funds of District No. 25

City of Lincoln Park, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the District Court Funds of District No. 25, City of Lincoln Park, Michigan's financial performance provides an overview of the District Court's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the District Court's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2007:

- The last three operational budgets have maintained the 4 percent decrease in the budget established in fiscal year 2005.
- The District Court has consistently stayed within its operational budget each fiscal year.
- The District Court has policies and procedures in place to stay within the operational budget and is consistently looking for new ways to control the budget.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the District Court as a whole and present a longer-term view of the District Court's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view of the District Court's General Fund; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the District Court's operations in more detail than the government-wide financial statements.

The Trust and Agency Fund accounts for the collection of amounts that are subsequently returned or paid to third parties. These funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

District Court Funds of District No. 25

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities and Trust and Agency Activities

The following table shows, in a condensed format, the current year's net assets and changes in net assets, compared to the prior year:

	Governmental Activities		Trust and Agency Activities	
	2007	2006	2007	2006
Current assets	\$ 529,814	\$ 147,840	\$ 153,475	\$ 260,016
Noncurrent assets	19,844	30,187	-	-
Total assets	549,658	178,027	153,475	260,016
Current liabilities	510,962	18,064	153,475	260,016
Long-term liabilities	145,582	130,486	-	-
Total liabilities	656,544	148,550	153,475	260,016
Net assets:				
Invested in capital assets	19,844	30,187	-	-
Unrestricted	(126,730)	(710)	-	-
Total net assets	\$ (106,886)	\$ 29,477	\$ -	\$ -

The District Court's governmental assets and liabilities increased by over 200 percent from a year ago. The increase is due to an accrued liability due to the City of Lincoln Park for active and retired employees' health benefits and pension contributions. In 2006, these payments were made prior to year end.

The District Court's Trust and Agency assets and liabilities decreased approximately 40 percent from a year ago - decreasing from \$260,016 to \$153,475. This decrease is due to a decline in case filings through June 2007 compared to June 2006. Since case filings decreased, cash was lower and the amount that had not yet been remitted to the other governmental units decreased as well.

	Governmental Activities	
	2007	2006
Net assets - Beginning of year	\$ 29,477	\$ (100,089)
Revenues	1,424,618	1,419,780
Expenses	1,560,981	1,290,214
Change in net assets	(136,363)	129,566
Net assets - End of year	\$ (106,886)	\$ 29,477

District Court Funds of District No. 25

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

The District Court's governmental revenues remained consistent with the prior year, increasing by less than 1 percent.

The District Court's governmental expenditures increased by approximately \$271,000, or 20 percent. The increase is primarily due to increases in healthcare premiums and retirement contributions.

General Fund Budgetary Highlights

The District Court stayed below budget overall, resulting in total expenditures \$89,243 below budget. This allowed the District Court to transfer excess funds back to the City of Lincoln Park.

Contacting the District Court's Management

This financial report is intended to provide our citizens and customers with a general overview of the District Court's activities and to show the District Court's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the District Court directly.

District Court Funds of District No. 25

City of Lincoln Park, Michigan

Governmental Fund Balance Sheet/Statement of Net Assets (Deficit) June 30, 2007

	Operating Fund - Modified Accrual	Adjustments (Note 2)	Statement of Net Assets - Full Accrual
Assets			
Current assets - Cash and investments (Note 3)	\$ 529,814	\$ -	\$ 529,814
Capital assets (Note 4)	-	19,844	19,844
Total assets	<u>\$ 529,814</u>	19,844	549,658
Current Liabilities			
Current portion of long-term debt (Note 5)	\$ -	31,063	31,063
Due to the City of Lincoln Park	<u>479,899</u>	-	<u>479,899</u>
Total current liabilities	479,899	31,063	510,962
Long-term Debt - Net of current portion (Note 5)		145,582	145,582
Fund Balance - Unreserved	<u>49,915</u>	<u>(49,915)</u>	-
Total liabilities and fund balance	<u>\$ 529,814</u>	<u>126,730</u>	<u>656,544</u>
Net Assets (Deficit)			
Investment in capital assets		19,844	19,844
Unrestricted		<u>(126,730)</u>	<u>(126,730)</u>
Total net assets (deficit)		<u>\$ (106,886)</u>	<u>\$ (106,886)</u>

District Court Funds of District No. 25

City of Lincoln Park, Michigan

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2007

	Revenues and Expenditures - Modified Accrual	Adjustments (Note 2)	Statement of Activities - Full Accrual
Revenue			
Contributions from City of Lincoln Park	\$ 1,411,786	\$ -	\$ 1,411,786
Other	504	-	504
Interest	12,328	-	12,328
Total revenue	1,424,618	-	1,424,618
Expenditures			
Salaries and wages	614,685	-	614,685
Fringe benefits	527,747	28,095	555,842
Supplies and postage	33,757	-	33,757
Telephone	11,510	-	11,510
Utilities	25,733	-	25,733
Maintenance	9,013	-	9,013
Services	63,686	-	63,686
Other	19,359	-	19,359
Depreciation	-	19,043	19,043
Capital outlay	17,053	(8,700)	8,353
Total expenditures	1,322,543	38,438	1,360,981
Excess of Revenue Over Expenditures	102,075	(38,438)	63,637
Other Financing Uses - Transfer to City of Lincoln Park	(200,000)	-	(200,000)
Changes in Fund Balance/Net Assets	(97,925)	(38,438)	(136,363)
Fund Balance/Net Assets - Beginning of year	147,840	(118,363)	29,477
Fund Balance/Net Assets (Deficit) - End of year	<u>\$ 49,915</u>	<u>\$ (156,801)</u>	<u>\$ (106,886)</u>

District Court Funds of District No. 25

City of Lincoln Park, Michigan

Fiduciary Fund

Statement of Assets and Liabilities

June 30, 2007

Agency Fund

Assets - Cash and investments (Note 3)

\$ 153,475

Liabilities

Due to City of Lincoln Park

\$ 94,831

Due to other governmental units

33,856

Refundable bonds

21,860

Other

2,928

Total liabilities

\$ 153,475

District Court Funds of District No. 25

City of Lincoln Park, Michigan

Notes to Financial Statements
June 30, 2007

Note I - Significant Accounting Policies

The accounting policies of the 25th District Court (the "District Court") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of significant accounting policies:

Reporting Entity

The District Court is governed by two elected judges. The District Court is responsible for traffic and moving violations, certain civil matters, and misdemeanors within the limits of the City of Lincoln Park, Michigan.

Fund Accounting

The accounts of the District Court are organized on the basis of funds, each of which is considered a separate accounting entity. The various funds are categorized as follows:

- **Governmental Fund**

Operating Fund - The Operating Fund contains the records of the ordinary activities of the District Court that are not accounted for in another fund. The financial activities of the fund are limited to collection of subsidies from the City of Lincoln Park, Michigan (the "City") and payment of expenditures including payroll costs.

- **Fiduciary Fund**

Agency Fund - The depository bond and trust accounts of the District Court are accounted for in an Agency Fund. The financial activities of the fund are limited to collection of amounts that are subsequently returned or paid to third parties. The fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

District Court Funds of District No. 25

City of Lincoln Park, Michigan

Notes to Financial Statements
June 30, 2007

Note 1 - Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District Court's Operating Fund is budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities in the current period. For this purpose, the District Court considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences are recorded only when payment is due.

In addition to presenting information for the Operating Fund on the modified accrual basis (as budgeted), the financial statements present information for the District Court using the economic resources measurement focus and the accrual basis of accounting. This information is intended to demonstrate the degree to which taxpayers have funded the full cost of services received. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified accrual and full accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The District Court has elected not to follow private sector standards issued after November 1, 1989 for its full accrual presentation.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - The District Court considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Investments are recorded at fair value as of June 30, 2007, based on quoted market prices.

District Court Funds of District No. 25

City of Lincoln Park, Michigan

Notes to Financial Statements
June 30, 2007

Note 1 - Significant Accounting Policies (Continued)

Capital Assets - Capital assets are defined by the District Court as assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The District Court building is owned by the City of Lincoln Park, Michigan and is not reported in these financial statements.

Capital assets are depreciated using the straight-line method over the following useful lives:

Furniture and fixtures	3-10 years
Law library	5 years

Compensated Absences (Vacation and Sick Leave) - It is the District Court's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund only for employee terminations as of year end.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to the financial statements.

District Court Funds of District No. 25

City of Lincoln Park, Michigan

Notes to Financial Statements

June 30, 2007

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

As discussed in Note 1, the Operating Fund is presented on the modified accrual basis of accounting, and the District Court as a whole (which consists of just its Operating Fund) is presented on the full accrual basis. The following is a reconciliation of fund balance on the modified accrual basis of accounting to net assets presented on the full accrual basis:

Total Fund Balance - Modified Accrual Basis	\$ 49,915
--	------------------

Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources and are not reported in the funds	19,844
--	--------

Compensated absences are not recorded until due and are not reported in the funds	<u>(176,645)</u>
---	------------------

Total Net Assets - Full Accrual Basis	<u>\$ (106,886)</u>
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The following is a reconciliation of the changes in fund balance on the modified accrual basis to the change in net assets on the full accrual basis:

Net Change in Fund Balance - Modified Accrual Basis	\$ (97,925)
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Amounts reported in the statement of net assets are different because:

Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(28,095)
---	----------

Capital assets used in governmental activities are not considered financial resources; as such, depreciation recorded on those assets is not considered an activity of the funds	(19,043)
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Governmental funds report capital outlays as expenditures in the statement of activities; these costs are allocated over their estimated useful lives as depreciation	<u>8,700</u>
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Change in Net Assets of Governmental Activities	<u>\$ (136,363)</u>
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District Court Funds of District No. 25

City of Lincoln Park, Michigan

Notes to Financial Statements
June 30, 2007

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The District Court has designated one bank for the deposit of its funds. The investment policy adopted by the District Court in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The District Court's deposits and investment policies are in accordance with statutory authority.

The District Court's cash and investments are subject to two types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the District Court's deposits may not be returned to it. The District Court does not have a deposit policy for custodial credit risk. At year end, the District Court had \$588,718 of bank deposits (certificates of deposit, checking and savings accounts) that were covered by \$100,000 of federal depository insurance. The District Court believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the District Court evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk - State law limits certain investments to the top two ratings issued by nationally recognized statistical rating organizations and the District Court has no investment policy that would further limit its investment choices. At June 30, 2007, the District Court holds \$111,921 of investments in bank investment pools, which are not rated.

District Court Funds of District No. 25

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2007

Note 4 - Capital Assets

Capital asset activity of the District Court's governmental activities was as follows:

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
Depreciable capital assets:				
Furniture and equipment	\$ 491,758	\$ -	\$ -	\$ 491,758
Law library	86,000	8,700	8,700	86,000
Subtotal	577,758	8,700	8,700	577,758
Less accumulated depreciation:				
Furniture and equipment	480,571	10,493		491,064
Law library	67,000	8,550	8,700	66,850
Subtotal	547,571	19,043	8,700	557,914
Net capital assets	<u>\$ 30,187</u>	<u>\$ (10,343)</u>	<u>\$ -</u>	<u>\$ 19,844</u>

Capital assets, including library books, are recorded at cost. Depreciation expense was \$19,043 for the year ended June 30, 2007.

Note 5 - Long-term Debt

Outstanding Debt

Debt outstanding of the District Court as of June 30, 2007 consisted of \$163,431 of accumulated employee benefits (compensated absences). The accumulated employee benefits represent the estimated liability to be paid governmental fund-type employees under the District Court's sick and vacation policy. The portion that is estimated will be paid currently, if any, has been recorded as a liability in the Operating Fund. Under the District Court's policy, employees earn sick and vacation time based on time of service with the District Court.

District Court Funds of District No. 25

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2007

Note 5 - Long-term Debt (Continued)

Changes in Long-term Debt

The following is a summary of long-term debt transactions of the District Court for the year ended June 30, 2007:

	Compensated Absences
Balance - July 1, 2006	\$ 148,550
Increase in long-term portion of employee benefits	<u>28,095</u>
Balance - June 30, 2007	<u>\$ 176,645</u>

Note 6 - Budget Information

The budget of the Operating Fund is prepared by the District Court management and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2007 has not been calculated. The budget was not amended during the current year.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison to the budget as adopted by the City Council is shown in the required supplemental information.

District Court Funds of District No. 25

City of Lincoln Park, Michigan

Notes to Financial Statements
June 30, 2007

Note 7 - Postemployment Benefits

The District Court provides healthcare benefits to all full-time employees upon retirement. Currently, 15 retirees are eligible. The District Court includes pre-Medicare retirees and their dependents in its insured healthcare plan, with no contribution required by the participant. The District Court purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due. The City bills the District Court based on the District Court's total number of employees. During the year, this amounted to approximately \$44,000.

Note 8 - Defined Benefit Pension Plan

The District Court has no individual pension plan for its employees or judges. The District Court employees are participants in the City of Lincoln Park Municipal Employees' Retirement System. The judges are covered under the State of Michigan Retirement Plan, a contributory defined benefit pension plan. Pension contributions to the Employees' Retirement System, which were charged to the Operating Fund, were \$184,612 in 2007. Pension contributions for the District Court judges are collected as court costs and remitted to the State through the District Court's Agency Fund. Actuarial information on the two retirement plans is not available specifically for the District Court employees or judges. Trend information for the full systems is contained in the City of Lincoln Park and State of Michigan's audited financial statements.

Note 9 - Risk Management

The District Court is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The District Court, through the City, has purchased commercial insurance for medical benefit claims and participates in the Michigan Municipal League risk pool for claims relating to property loss, torts, errors and omissions, and employee injuries. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

District Court Funds of District No. 25

City of Lincoln Park, Michigan

Notes to Financial Statements
June 30, 2007

Note 10 - Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year beginning July 1, 2008.

Required Supplemental Information

District Court Funds of District No. 25

City of Lincoln Park, Michigan

Required Supplemental Information

Budgetary Comparison Schedule - Operating Fund

Year Ended June 30, 2007

	Prior Year Actual - Modified Accrual	Current Year - Modified Accrual			Variance Favorable (Unfavorable)
		Originally Adopted Budget	Amended Budget	Actual	
Revenue					
Contributions from City of Lincoln Park	\$ 1,410,689	\$ 1,411,786	\$ 1,411,786	\$ 1,411,786	\$ -
Other	580	-	-	504	504
Interest	8,511	-	-	12,328	12,328
Total revenue	1,419,780	1,411,786	1,411,786	1,424,618	12,832
Expenditures					
Salaries and wages	615,760	601,069	601,069	614,685	(13,616)
Fringe benefits	493,910	613,337	613,337	527,747	85,590
Supplies and postage	31,247	29,000	29,000	33,757	(4,757)
Telephone	12,277	13,500	13,500	11,510	1,990
Utilities	25,317	25,500	25,500	25,733	(233)
Maintenance	16,292	20,000	20,000	9,013	10,987
Services	65,522	70,280	70,280	63,686	6,594
Other	15,061	27,100	27,100	19,359	7,741
Capital outlay	10,376	12,000	12,000	17,053	(5,053)
Total expenditures	1,285,762	1,411,786	1,411,786	1,322,543	89,243
Excess of Revenue Over Expenditures	134,018	-	-	102,075	102,075
Other Financing Uses - Transfer to City of Lincoln Park	-	-	-	(200,000)	(200,000)
Change in Fund Balance	134,018	-	-	(97,925)	(97,925)
Fund Balance - Beginning of year	13,822	147,840	147,840	147,840	-
Fund Balance - End of year	<u>\$ 147,840</u>	<u>\$ 147,840</u>	<u>\$ 147,840</u>	<u>\$ 49,915</u>	<u>\$ (97,925)</u>

November 19, 2007

To the Honorable Judges
25th District Court
City of Lincoln Park, Michigan
1475 Cleophus
Lincoln Park, MI 48146

Dear Judge Zelenak and Judge Bajorek:

We recently completed the audit of the financial statements of the 25th District Court, City of Lincoln Park, Michigan (the "Court") for the year ended June 30, 2007. In addition to the audit report, we are required to offer the following comments:

New auditing rules, effective December 31, 2006, have resulted in some changes in the communications that we are required to provide following our audit. These rules require us to more formally communicate matters we note about your accounting procedures and internal controls. While we have always provided our observations in these areas as part of our audit, we are now required to tell you about more items than we may have in the past and to communicate them in writing.

The new auditing standard (Statement on Auditing Standards No. 112, referred to as SAS 112) requires us to inform you about any matters noted in your accounting procedures or internal controls that the new standard defines as a "significant deficiency." The new threshold for a significant deficiency is a low one - a significant deficiency is any flaw that creates more than a remote risk of errors in your financial statements that could matter to a user of the statements. Matters that may be immaterial to the financial statements still may be classified by the new auditing standards as a significant deficiency.

We are also required to communicate these matters to more people. In the past, we have sometimes provided comments of this nature as part of a draft meeting with management. Only material internal control issues have been included in our letter. Under these new rules, we are obligated to communicate these matters in writing to all individuals involved in overseeing strategic direction and accountability for your operations, including the supervisor and the board members in addition to our communications with management. This communication is intended to comply with the requirements of the new auditing standards.

In planning and performing our audit for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

- The Court has a system in place to track daily cash activity of the Court. However, the Court does not maintain its books in accordance with generally accepted accounting principles (GAAP), which requires the use of accrual basis accounting. As a result, audit entries were proposed and posted by Plante & Moran in order to adjust the Court's books and records to comply with GAAP. The Court should have a system in place to ensure these adjustments are done in order to provide complete and accurate financial data. We recommend the City implement a process to ensure the proper recording of these amounts in the future.

We would like to thank the Court staff again this year for the cooperation and assistance they provided during the audit. If you have any questions or would like to discuss these items further, please feel free to contact us at your convenience.

Yours truly,

Plante & Moran, PLLC



Beth A. Bialy



Pamela L. Hill